

UK labour market

Jobless total climbs to twelve-year high

- **Unemployment rate rises to 6.7%.**

- **Pay growth weakens further.**

UK unemployment jumped to a twelve-year high of 2.1 million in the three months to February 2009, according to latest data from the Office for National Statistics. Moreover, the quarterly increase of 177,000 was the biggest for almost two decades (see chart 1), illustrating the extent to which the labour market has deteriorated amid the recession.

The latest rise in unemployment was fuelled by another surge in redundancies, which climbed by 45,000 in the three months to February to a record 270,000. The redundancy rate increased to 10.6 per thousand workers (see chart 2).

The latest figures also highlighted a further weakening of pay growth as bonuses crumbled and fears over job security eroded workers' negotiating power. Average earnings including bonuses rose just 0.1% on an annual basis, the lowest since comparable data were first available in 1991 (see chart 3). Excluding bonuses, earnings rose 3.2%, the weakest since May 1997.

Although the job market clearly remains in a dire state, latest data from the KPMG/REC Report on Jobs, produced by Markit, signal that falls in recruitment activity have moderated since the turn of the year. Permanent placements declined at the weakest rate for six months in March, while temporary appointments also fell at a slower pace.

Still, the respective measures remain consistent with steep rates of contraction. Recruitment activity seems set to stay muted for a sustained period as corporate restructuring continues, meaning that the tide of rising unemployment is unlikely to abate. Most analysts forecast the jobless total to peak well in excess of 3 million in 2010 or 2011.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released May 6th, covering April data. To find out how to receive the report, please contact economics@markit.com.

Chart 1: Unemployment

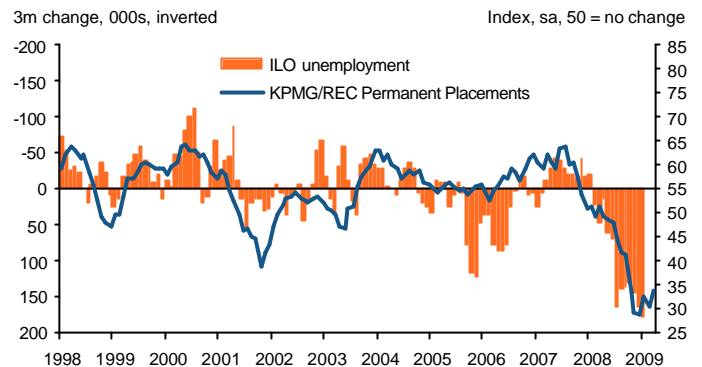


Chart 2: Redundancies

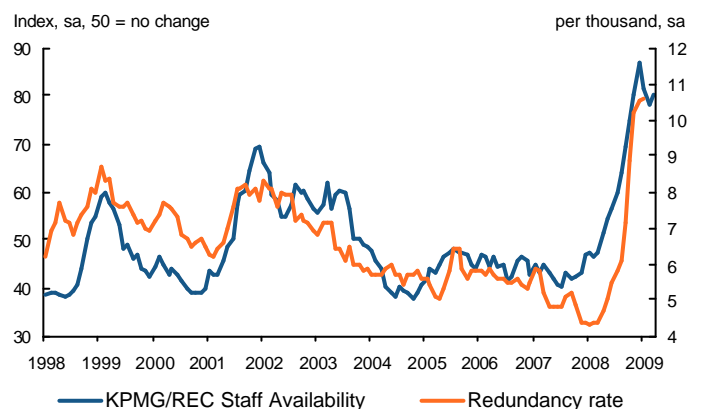
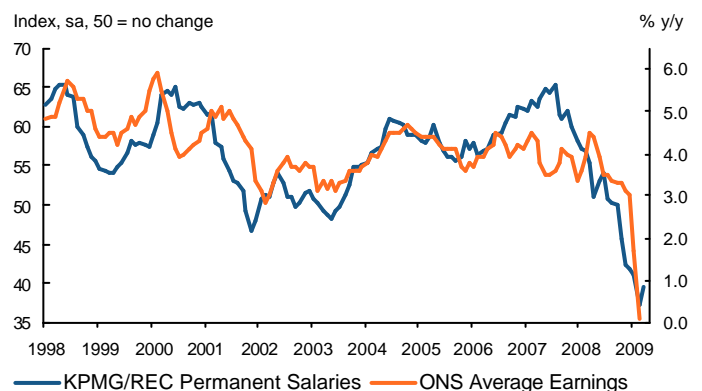


Chart 3: Employee earnings



Sources: Markit Economics, Office for National Statistics.

Jack Kennedy

Economist

Markit

Tel: +44 1491 461 087

Email: jack.kennedy@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.